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Tobacco and Products

Annual

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Report Highlights:

Mexico's production of tobacco leaf, mostly burley, are forecast to increase as a result of lower stocks. Production of tobacco for domestic consumption in MY 2003 is expected to slightly increase from the previous two years due to improved cultural practices.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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SECTION I. SITUATION AND OUTLOOK..... Page 3 of 13

Tobacco Situation and Outlook	Page 3 of 13
Cigarette Situation and Outlook.....	Page 3 of 13

SECTION II. STATISTICAL TABLES Page 4 of 13

PS&D Tobacco (Burley)	Page 4 of 13
PS&D Tobacco (Flue Cured)	Page 5 of 13
PS&D Tobacco, Unmfg., Total	Page 6 of 13
PS&D Tobacco (Cigarettes).....	Page 7 of 13
Tobacco Leaf Grower Prices per Grade of Burley	Page 8 of 13
Tobacco Leaf Grower Prices per Grade of Flue Cured	Page 9 of 13
Burley Planted Area Under Forward Contracts.....	Page 10 of 13
Flue Cured Planted Area Under Forward Contract.....	Page 10 of 13
Total Area and Tobacco Production	Page 10 of 13
Trade Matrix Tobacco.....	Page 11 of 13
Trade Matrix Cigarettes.....	Page 11 of 13

SECTION III. NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING

TOBACCO.....	Page 12 of 13
Production.....	Page 12 of 13
Consumption	Page 12 of 13
Trade	Page 12 of 13
Stocks	Page 12 of 13
Policy	Page 13 of 13
CIGARETTES.....	Page 13 of 13
Production.....	Page 13 of 13
Consumption	Page 13 of 13
Trade	Page 13 of 13
Policy	Page 13 of 13

SECTION I. SITUATION AND OUTLOOK

Tobacco Situation and Outlook: Planted area and production of tobacco leaf, mostly burley for export, are forecast to increase in MY 2003 as a result of higher domestic prices and an expected increase in demand from international markets. Production of tobacco destined for consumption in the domestic market in MY 2002 is revised upward from the previous year's figure, due to increased planted area. Mexican cigarette companies will continue to buy domestic burley and import more than half of flue-cured tobacco requirements, due to a fall in domestic area planted and more competitive prices for imported product. Flue-cured production for MY 2003 is forecast to be less than the previous year, due to decreased planted area. For the MY 2002 harvest, the estimate of tobacco leaf planted area and production has been revised upward, due to increased planted area. Flue-cured tobacco production for MY 2002 has been revised upward, due to increased planted area.

Burley exports for MY 2003 are forecast downward from the previous year's revised estimate, due to excess stocks in the international market and prior commitments with international buyers. For MY 2003, burley utilization is forecast to remain unchanged from the previous year's revised estimate, due to an expected decrease in the production of mid- and high-priced cigarettes for the middle and upper income consumers who are becoming more health conscious. Lower tobacco leaf beginning stocks will likely result in increased import needs for MY 2003, particularly for flue-cured tobacco. For the same reason, ending stocks for burley tobacco in MY 2003 are expected to decrease from the previous year.

Cigarette Situation and Outlook: Production and consumption of cigarettes in MY 2003 are forecast downward from the previous year's estimate, due to advertisement restrictions and health concerns. Mexican cigarette exports are forecast to remain unchanged in MY 2003. Reportedly, exports of both low priced domestic brands and non-branded cigarettes go to the U.S. and to Eastern European countries. Cigarette imports continued to be negligible in MY 2002. Reportedly, imports of contraband cigarettes, mostly from the U.S., especially into central and southern Mexico, have decreased. However, they continue to flow in large quantities into Mexico's northern border towns.

SECTION II. STATISTICAL TABLES**PS&D Tobacco (Burley)**

(Hectares) (Metric Tons)

PS&D Table						
Country:	Mexico					
Commodity:	Tobacco, Unmfg., Burley					
	Revised 2001		Preliminary 2002		Forecast 2003	
	Old	New	Old	New	Old	New
Market Year Begin	01/2001		01/2002		01/2003	
Area Planted	10760	10533	6481	6881	0	7431
Beginning Stocks	31933	31933	27052	17024	0	11117
Farm Sales Weight Prod	22790	20263	13563	13892	0	15349
Dry Weight Production	18956	16170	10823	10941	0	12400
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0
TOTAL SUPPLY	50889	48103	37875	27965	0	23517
Exports	11855	8451	8451	4348	0	3920
Dom. Leaf Consumption	12800	12600	12400	12500	0	12500
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consum.	0	0	0	0	0	0
Total Dom. Consum.	12800	12600	12400	12500	0	12500
Total Disappearance	24655	21051	20851	16848	0	16420
Ending Stocks	26234	27052	17024	11117	0	7097
TOTAL DISTRIB.	50889	48103	37875	27965	0	23517

PS&D Tobacco (Flue Cured)

(Hectares) (Metric Tons)

PS&D Table						
Country:	Mexico					
Commodity:	Tobacco, Unmfg., Flue Cured					
	Revised 2001		Preliminary 2002		Forecast 2003	
	Old	New	Old	New	Old	New
Market Year Begin	01/2001		01/2002		01/2003	
Area Planted	5212	4654	2268	2491	0	1731
Beginning Stocks	1662	1662	1274	1654	0	1129
Farm Sales Weight Prod	10731	7777	4115	4350	0	3265
Dry Weight Production	9443	6719	3555	3650	0	2860
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	3040	3893	6825	6825	0	6836
Total Imports	3040	3893	6825	6825	0	6836
TOTAL SUPPLY	14145	12274	11654	12129	0	10825
Exports	0	0	0	0	0	0
Dom. Leaf Consumption	10000	10000	9000	10000	0	9000
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consum.	1500	1000	1000	1000	0	1000
Total Dom. Consum.	11500	11000	10000	11000	0	10000
Total Disappearance	11500	11000	10000	11000	0	10000
Ending Stocks	2645	1274	1654	1129	0	825
TOTAL DISTRIB.	14145	12274	11654	12129	0	10825

PS&D Tobacco, Unmfg., Total

(Hectares) (Metric Tons)

PS&D Table						
Country:	Mexico					
Commodity:	Tobacco, Unmfg., Total					
	Revised 2001		Preliminary 2002		Forecast 2003	
	Old	New	Old	New	Old	New
Market Year Begin	01/2001		01/2002		01/2003	
Area Planted	18518	17851	10130	10908	0	10828
Beginning Stocks	63183	63183	58065	46890	0	37385
Farm Sales Weight Prod	39556	33842	20594	22322	0	22415
Dry Weight Production	36787	31405	19111	20870	0	20880
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	3350	9728	15965	14627	0	15000
Total Imports	3350	9728	15965	14627	0	15000
TOTAL SUPPLY	103320	104316	93141	82387	0	73265
Exports	9765	8451	8451	7202	0	7000
Dom. Leaf Consumption	32000	31800	31800	31800	0	31000
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consum.	6500	6000	6000	6000	0	5000
Total Dom. Consum.	38500	37800	37800	37800	0	36000
Total Disappearance	48265	46251	46251	45002	0	43000
Ending Stocks	55055	58065	46890	37385	0	30265
TOTAL DISTRIB.	103320	104316	93141	82387	0	73265

PS&D Tobacco (Cigarettes)

(1,000,000 Pieces)

PS&D Table						
Country:	Mexico					
Commodity:	Tobacco, Cigarettes					
Market Year Begin	Revised 2001		Preliminary 2002		Forecast 2003	
	Old	New	Old	New	Old	New
	01/2001		01/2002		01/2003	
Filter Production	32200	32100	32100	32100	0	32050
Non-Filter Production	15000	14800	14800	14800	0	14800
Total Production	47200	46900	46900	46900	0	46850
Imports	0	0	0	0	0	0
TOTAL SUPPLY	47200	46900	46900	46900	0	46850
Exports	20	20	20	20	0	20
Domestic Consumption	47180	46880	46880	46880	0	46830
TOTAL DISTRIB.	47200	46900	46900	46900	0	46850

Tobacco Leaf Grower Prices per Grade by State for 2002/03 Tobacco Leaf Burley Semi-Shade & Stalk Cut (Pesos per Kilogram)			
Grades	Nayarit	Grades	Chiapas
X1	18.729	B1	17.914
X2	17.838	B2	16.312
X3	16.409	B3	13.109
X4	13.131	B4	12.379
C1	20.157	C1	16.457
C2	18.729	C2	15.292
C3	16.055	C3	14.127
C4	13.376	C4	12.520
B1	21.940	SC	5.709
B2	19.978	T1	15.001
B3	17.302	T2	14.564
B4	14.012	T3	13.253
T1	18.372	T4	10.923
T2	17.837	X1	15.292
T3	16.233	X2	14.564
T4	11.589	X3	13.397
SC	6.993	X4	11.498
AVG.	16.033		

Source: CIGATAM and La Moderna

Exchange rate: U.S. \$1.00 = \$10.70 Pesos as of February 25, 2003

Tobacco Leaf Grower Prices per Grade Tobacco Leaf Flue Cured, (Green Basis) for 2002/03 (Pesos per Kilogram)	
Grades	Nayarit
X1	20.584
X2	19.554
X3	17.084
X4	14.408
X5	11.938
CO1	26.141
CO2	24.700
SC	7.994
CL1	22.642
CL2	21.201
C3	17.908
C4	15.232
C5	13.174
BO1	26.759
BO2	25.318
BL1	23.260
BL2	21.613
B3	18.526
B4	15.849
B5	12.556
TO1	25.730
TO2	23.876
TL1	22.231
TL2	20.584
T3	16.466
T4	13.791
T5	11.320
Average Price:	20.584

Source: CIGATAM and La Moderna Exchange rate: U.S.\$1.00 = \$10.70 Pesos as of February 25, 2003

Burley Planted Area Under Forward Contracts for 01/02 and 02/03 (Hectares)						
For Domestic Consumption						
Company	Semi-Shade Burley		Stalk Cut Burley		Total Burley	
	01/02	02/03	01/02	02/03	01/02	02/03
CIGATAM	0	0	1,424	1,283	1,424	1,283
LA MODERNA	220	542	1,635	2,036	1,855	2,578
Subtotal	220	542	3,059	3,319	3,279	3,861
For Export						
DIMON	1,617	1,750	0	0	1,617	1,750
TPN	1,985	1,820	0	0	1,985	1,820
Subtotal	3,602	3,570	0	0	3,602	3,570
Grand Total	3,822	4,112	3,059	3,319	6,881	7,431

Source: CIGATAM and La Moderna

Flue Cured Planted Area Under Forward Contract for 01/02- 02/03 (Hectares)		
Company	01/02	02/03
CIGATAM	1,178	1,058
LA MODERNA	1,313	673
Total	2,491	1,731

Source: CIGATAM and La Moderna

Total Area and Tobacco Production				
Type of Tobacco	Area (Ha.)		Production (MT)	
	01/02	02/03	01/02	02/03
Flue Cured	2,491	1,797	4,530	3,265
Burley	6,881	7,431	13,892	15,349
Light Air Cured	1,238	1,502	2,930	3,552
Dark Air Cured	299	99	970	248
TOTAL	10,908	10,828	22,322	22,415

Source: CIGATAM and La Moderna

Trade Matrices

TOBACCO					H.S. 2401.10 & 2401.20					UNITS: Metric Tons				
EXPORTS	2001		2002		IMPORTS	2001		2002						
	Val.	Vol.	Val.	Vol.		Val.	Vol.	Val.	Vol.					
U.S.	14,276,282	3,503	30,559,412	7,046	U.S.	0	0	0	0					
OTHER					OTHER									
Switzerland	702,173	267	0	0	Brazil	12,186,748	4,174	20,574,416	7,590					
Honduras	530,071	188	65,137	7	Turkey	6,102,006	1,416	5,333,922	1,532					
Dominican Republic	264,258	10	177,564	30										
Total of other	1,496,502	465	242,701	37	Total of other	18,288,754	5,590	25,908,338	9,122					
Others not listed	1,729,981	97	1,183,422	118	Others not listed	9,814,907	3,386	14,306,593	5,505					
GRAND TOTAL	17,502,765	4,056	31,985,535	7,201	GRAND TOTAL	28,103,661	8,976	40,214,931	14,627					

Source: Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, December 2002.

CIGARETTES					H.S. 2402	UNITS: Metric Tons				
EXPORTS	2001		2002		IMPORTS	2001		2002		
	Val.	Vol.	Val.	Vol.		Val.	Vol.	Val.	Vol.	
U.S.	1,758,917	36	418,311	33	U.S.	2276540	113	2,731,326	131	
OTHER								OTHER		
Non-declared Countries	43,977	2	0	0	Switzerland	1,199,223	56	1,458,332	53	
United Arab Emirates	0	0	82,600	18	United Kingdom	503,582	30	545,680	26	
Total of other	43,977	2	82,600	18	Total of other	1,702,805	86	2,004,012	79	
Others not listed	26,207	2	85,921	15	Others not listed	584,024	32	884,038	44	
GRAND TOTAL	1,829,101	40	586,832	66	GRAND TOTAL	4,563,369	231	5,619,376	254	

Source: Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, December 2002.

SECTION III. NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING**TOBACCO****Production**

Burley production for MY 2003 is forecast upward from the previous year's revised estimate, due to reduced beginning stocks. Burley production estimate for MY 2002 has been revised upward, due mainly to increased planted area. Production in MY 2003 for flue-cured tobacco is forecast to decrease by 33 percent from the previous year's revised estimate, due to reduced planted area. The MY 2002 flue-cured production estimate has been revised upward from our previous estimate, due to increased planted area and increased demand.

Planted area covered by forward contracts for MY 2003 has been revised downward from the previous estimate for a total of 10,828 hectares, due mainly to lower financing provided by foreign buyers to produce burley for export. As a result of the negotiations between burley growers and buyers, both parties contracted for 10,908 hectares in Nayarit for the MY 2002 harvest.

Consumption

For MY 2002, cigarette companies reported consumption of low-and mid-priced cigarettes in substitution of high-priced cigarettes because of retail price increases. As a result, manufacturers report an increase of light air-cured and flue-cured tobacco utilization in 2002 at the expense of burley and certain grades of flue-cured tobacco. Burley consumption for MY 2003 is forecast to be less than the previous year because health concerns continue to dampen demand.

Trade

As a result of cigarette companies' low stock levels, tobacco leaf imports for MY 2003 are forecast upward from the previous year's revised estimate. Main imports will likely include flue-cured, oriental and, to a lesser extent, dark air-cured. No imports of burley tobacco are expected for MY 2003.

The MY 2003 unmanufactured burley tobacco export forecast is 7,000 MT. An increase in the numbers of foreign buyers' forward contracts with burley growers increased planted area from 6,881 hectares in MY 2002 to a forecasted 7,431 hectares for the MY 2003 harvest.

Included are MY 2001 and 2002 trade matrices for unmanufactured tobacco. The source for trade data is the World Trade Atlas, Mexico Edition, December, 2002.

Stocks

Cigarette companies expect to maintain adequate ending stock levels of burley in MY 2003, due to the expected reduction in domestic consumption and exports. Ending burley stocks for MY 2002 have been revised downward from our previous estimate, due to reduced exports. Due to increased consumption of flue-cured tobaccos, ending stocks have been revised downward in MY 2002. For MY 2003, ending stocks of flue-cured tobacco are expected to be lower compared to the previous year's revised estimate, due to reduced consumption because of health concerns and lower beginning stocks.

Policy

See Policy for cigarettes in this report.

CIGARETTES**Production**

Domestic cigarette companies report that the MY 2003 output level is forecast to remain unchanged from the previous year's revised estimate, due to health concerns of the population.

Consumption

The decrease in MY 2002 cigarette consumption is due to primarily to health concerns of consumers and advertisement restrictions imposed by the government.

Trade

Mexican cigarette exports are forecast to remain unchanged in MY 2003. Processors report exports of both low-priced domestic brands and non-branded cigarettes mostly to the U.S. and Eastern European countries.

Cigarette imports continued to be negligible in MY 2002. Reportedly, as a result of competitive prices for domestic cigarettes, imports of contraband cigarettes, mostly from the United States, into central and southern Mexico, has decreased. Contraband cigarettes from the United States, however, continue to enter Mexico's border towns in large quantities.

Policy

On January 1, 2003, The National Anti-Addictions Commission reached an agreement with the tobacco industry to ban all radio and TV cigarette advertisements. The Health Secretariat (HS) said the surgeon's warning will change radically as of July 2003, and will cover 25 percent of the reverse side of cigarette packs. HS hailed the communications networks for showing solidarity with the agreement. It is a known fact that TV advertisements account for much of the TV networks' incomes, yet they have put health interests above their own financial interests. The agreement will also limit cigarette advertisements in the printed media and billboards.